



DEPUTY SECRETARY OF DEFENSE  
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WASHINGTON, DC 20301-1010

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
COMMANDERS OF THE COMBATANT COMMANDS  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD AGENCIES

SUBJECT: Transition of DoD Transportation Reengineering Initiatives

We have made excellent progress to implement reengineered transportation and financial processes for freight movements, and to test pilot programs for improving military household goods movements.

We are now paying \$80 million per month to 407 commercial transportation companies using a third party commercial payment system, currently US Bank's PowerTrack system, which pays our bills in 3 business days of service completion. We have also transitioned from government-unique to commercial documentation for the movement and payment of domestic transportation freight bills. The Department mandated that commercial transportation companies engaged in the movement of DoD materiel begin using PowerTrack, effective November 30, 2000. This has resulted in a 96 percent reduction in Defense Finance and Accounting Service (DFAS) freight transportation payment workload since DFAS now pays fewer than 6,000 annual bank invoices instead of more than one million separate commercial transportation company invoices.

The objective of our household goods reengineering initiative is to incorporate best practices into our Service members' permanent change of station relocation process. The Full Service Moving Project (FSMP) is testing the use of commercial move managers to interface between the Service member and the moving companies, a function which is now performed by DoD personnel, to determine if these functions can be effectively and economically outsourced. It is expected that 34,000 moves or about 6 percent of all DoD moves will be handled under FSMP. Our objective is to test provisions for improving service and the quality of life for our Service members in their relocation process.

Upon completion and analysis of the relocation pilots, and in full coordination with the Military Departments, the United States Transportation Command will make recommendations with supporting analysis to the Office of the Secretary of Defense on the provisions of a program



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to be implemented DoD-wide. The completion of the analysis is scheduled for the first quarter FY02.

The Office of the Secretary of Defense has led the efforts for reengineering both freight transportation and financial processes and FSMP. It is now appropriate to transition these programs for management by the proper DoD operating components. This will allow the responsible organizations to exercise program management and oversight.

These programs span numerous business areas -- including, but not limited to, transportation, financial management, contracting, and information management. Day-to-day management of these initiatives within the Department requires the leadership of all affected organizations. Accordingly, responsibilities for oversight and maintenance of these programs are reflected at attachments A and B.

I appreciate your strong support for and active participation in these vital Defense reengineering initiatives. I look forward to your continued leadership and support of these programs so the Department can fully achieve the savings and efficiencies being realized by the use of PowerTrack and the improved services and quality of life enhancements envisioned under the reengineered household goods program.

A handwritten signature in black ink, appearing to read "Paul Wolfowitz", with a stylized, flowing script.

Attachments  
As stated

**Attachment A**  
**Responsibilities for Institutionalizing Reengineered**  
**Transportation Documentation and Financial Processes**

- USTRANSCOM will have lead responsibility for the reengineered freight payment business processes, serve as the DoD contracting officer's representative with U.S. Bank regarding PowerTrack, and, through the appropriate Government contracting activities, ensure the commercial payment system contractor complies with all DoD requirements. USTRANSCOM also will ensure transportation regulations and their contracts with commercial carriers reflect the new business processes.
- The Under Secretary of Defense (Comptroller) will incorporate appropriate reengineered business processes into the DoD Financial Management Regulation and furnish guidance to the DoD Components to better ensure that systems affected by these business processes comply with the requirements of the Chief Financial Officers Act, the Federal Financial Management Improvement Act of 1996, and other applicable legislation.
- DFAS will ensure that its accounting and finance systems support the reengineered business processes and electronically interface with the Bank's payment system.
- The Military Departments and Defense Agencies will implement the reengineered business processes, ensure personnel are trained, oversee transportation and certifying officer compliance with the new processes, ensure shipping systems electronically interface with the commercial payment system and finance and accounting systems, as appropriate, and ensure that their organizations are resourced, structured and equipped to support the new processes.
- The Assistant Secretary of Defense (C3I), through the appropriate Government contracting activities, will ensure the commercial payment system contractor complies with DoD security requirements and will provide guidance to the DoD Components to ensure web-based commercial products are integrated securely with DoD business applications.
- The DoD Chief Information Officer (CIO), Defense Information Systems Agency and Component Chiefs and their CIOs will support full roll-out and maintenance of the new business processes and ensure that long haul communications and base infrastructure are sufficient to effectively and securely allow installations to utilize web-based applications.
- The Assistant Deputy Under Secretary of Defense (Transportation Policy) (ADUSD(TP)) will continue to provide policy and guidance to ongoing transportation reengineering, prototype and expansion efforts.
- The Transportation Reengineering Board of Directors will continue to direct program prototype and expansion efforts, facilitate resolution of post-transition issues, and oversee completion of the reengineering required for transportation working capital fund (TWCF) airlift and sealift payments. Remaining capital investment funding approved for program implementation will be applied to support TWCF, systems changes, household goods, and other related transportation reengineering expansion efforts. Each DoD Component shall program and fund for maintaining the reengineered freight payment business processes within its respective areas of responsibility.

**Attachment B**  
**Responsibilities for Household Goods Reengineering Pilot Programs**

- The Military Traffic Management Command and Navy will retain responsibility for their respective permanent change of station pilot programs.
- Responsibility for the Full Service Moving Program (FSMP) pilot will transition from the Office of the Secretary of Defense to USTRANSCOM effective September 30, 2001. ADUSD(TP), in conjunction with the Military Services and USTRANSCOM, will determine whether the FSMP pilot will continue beyond the end of FY 01 by August 31, 2001. The Military Services will fund pilot shipment costs for the duration of the program. The Military Departments will continue to provide the personnel to the FSMP team through December 31, 2001, and the Army will continue to provide Communications Electronics Command contracting support through FY02. Funds directly reimbursed to the Military Traffic Management Command Traffic Management business area from the Military Services will be used to support FSMP program management.
- If a decision is made to terminate the FSMP pilot for convenience for FY 02, USTRANSCOM will execute the decision and transition the FSMP test sites to the current program. USTRANSCOM will develop the plan for transitioning FSMP test sites to the current program and present this plan to the Services in August 2001 as part of the decision-making process.